

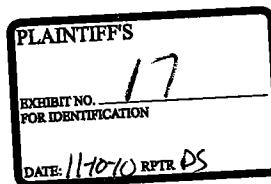


Triazine Supply Chain Redesign

Recommendations and Conclusions July 2004

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SYN01146557



Objectives

- To give a clear view of the value of the triazine business
- To present the current business environment and issues confronting triazines
- To discuss the key redesign scenarios reviewed
- To present the key recommendations for future triazine business stability
- To gain support and commitment to the recommended plan
- To recommend way forward and timelines



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Triazine Business Value

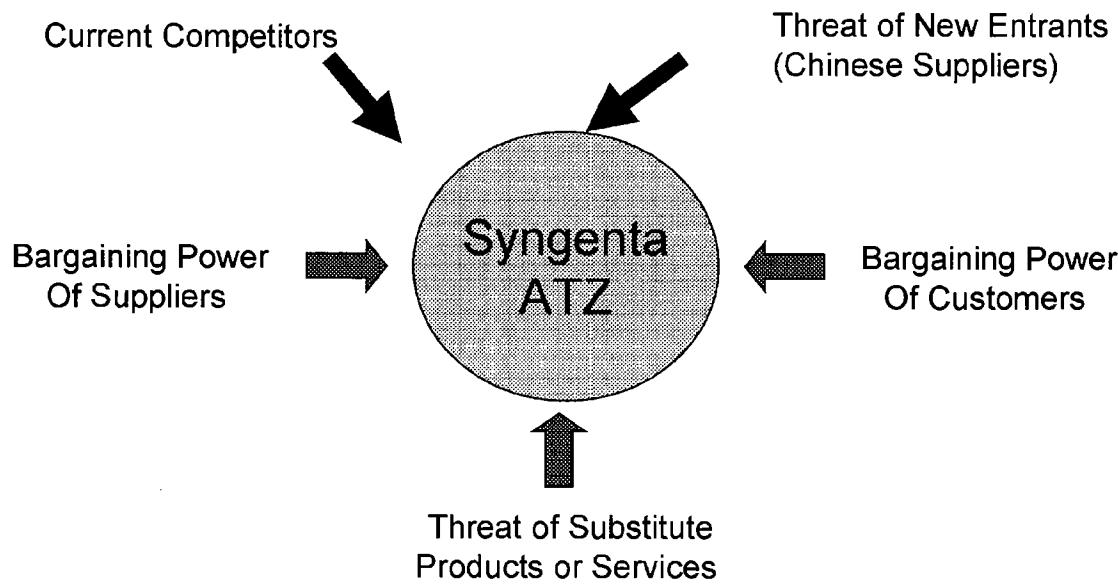
- Based on NPV calculations as well as valuation based on Sympact, the triazine business has a value of \$328M.
- Value as both a stand-alone product and a key mixture ingredient with S-MOC and mesotrione
- Substantial technical sales in NAFTA where mixed with competitor key actives, i.e. acetochlor.
- Strong grower support in US especially with EPA in re-registration process
- Also used as starting material for s-triazine manufacturing, i.e. ametryn and prometryn.



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Forces Governing Competition in the Triazine Market



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SYN01146560

Triazine Business Threats and Drivers

- Generic pressure
- Roundup Ready Technology
- Regulatory restrictions
- Rising raw material costs
- Large fixed cost structure at St. Gabriel ~\$60M
- 6 countries account for 90% of Syngenta triazine volumes – US, Australia, Brazil, Argentina, Mexico, and S. Africa – healthy market shares in each area
- Syngenta premium priced in most big markets



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Key Global Triazine Players

Name:	Location	Capacity	Production/ Sales	Excess Capacity
Atanor	Argentina	4'000 Mt	3'500 Mt	500 MT
Chinese Producers (4)	China	~37'000 Mt	26'000 Mt (export: 10'000MT)	11'000 MT
Herbos	Croatia	4'000 Mt	3'000 Mt	1'000 MT
Makhteshim/ Agan	Israel	15'000 Mt	8'000 Mt	7'000 MT
Sipcam/Oxon	Italy	20'000 Mt	10'000 Mt	10'000 MT
Sanachem	S'Africa	10'000 Mt	5'000 Mt	5'000 MT
Syngenta	USA	70'000 Mt	53'000 Mt	17'000 MT
Total		160'000 Mt	108'500 Mt (92'500 MT outside CN)	51'500 MT 32%



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Regulatory Forces at Work through 2013

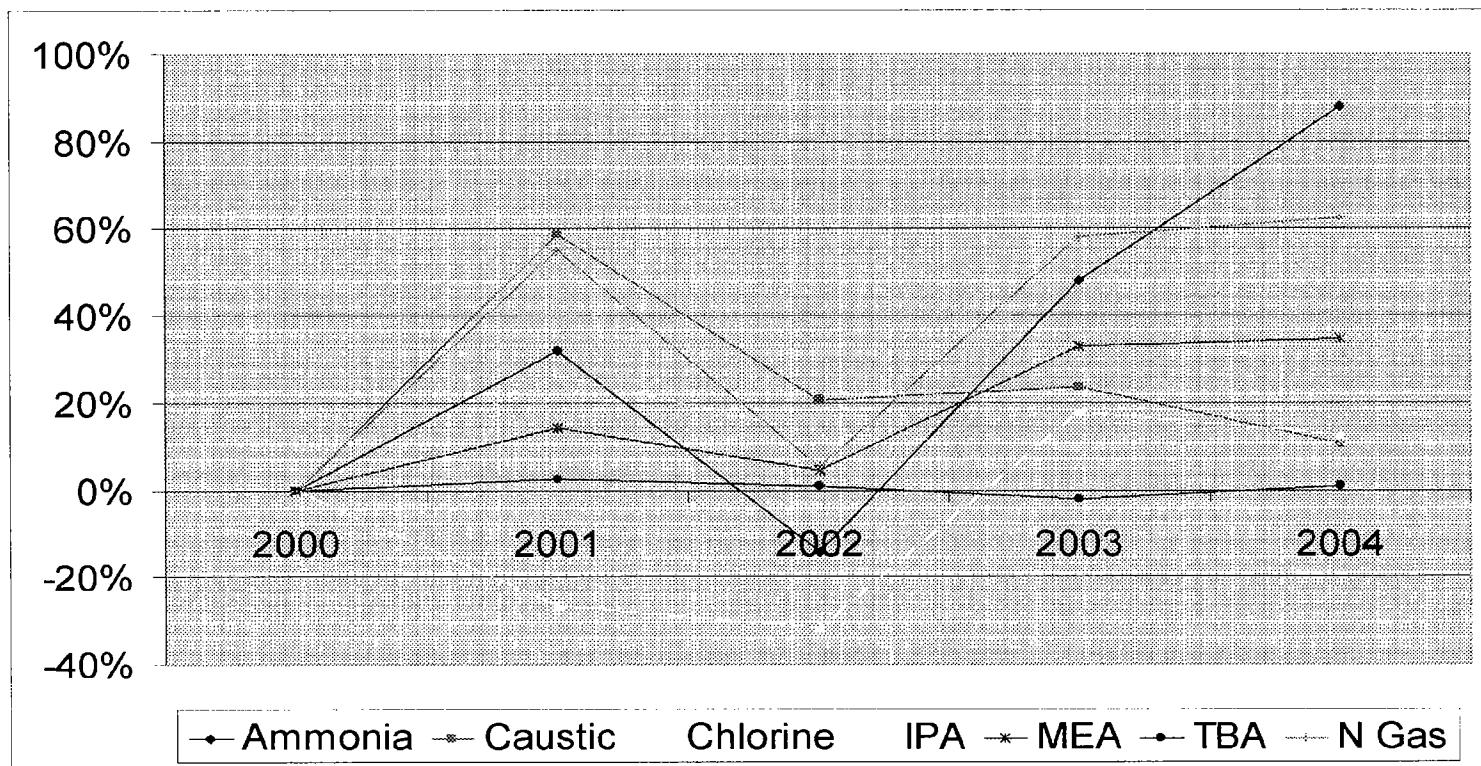
	2002 - 2005	2006 - 2009	2010 - 2013
USA	ATR/SIM (max. registered use rate at 2200 g/ha)	ATR/SIM with rate restriction (max. 1000 g) Regulatory scrutiny continues	ATR/SIM with rate restriction (max. 1000 g); Next re-registration due in 2011
LATAM	ATR/SIM 2500 g/ha		ATR/SIM remain registered subject to US-EPA re- registration decision
APAC	ATR/SIM 2200 g/ha		
EAME EU	ATR/SIM; banned in Oct 2003; uses permitted until 09/2005 TBA on separate re- registration timeline		ATR/SIM banned except for Essential Uses until 2007 TBA expected to be re-registered by 2007/2008;
EU Assess. Countries	ATR essential uses granted until 2007		TBA expected to be re-registered by 2007/2008;
France	All triazines banned as of June 2004		
Rest of EAME	Triazines expected to remain on the market		



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Raw Material Cumulative % Cost Changes (2000 – 2004)



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St. Gabriel Fixed Cost Reduction Activities

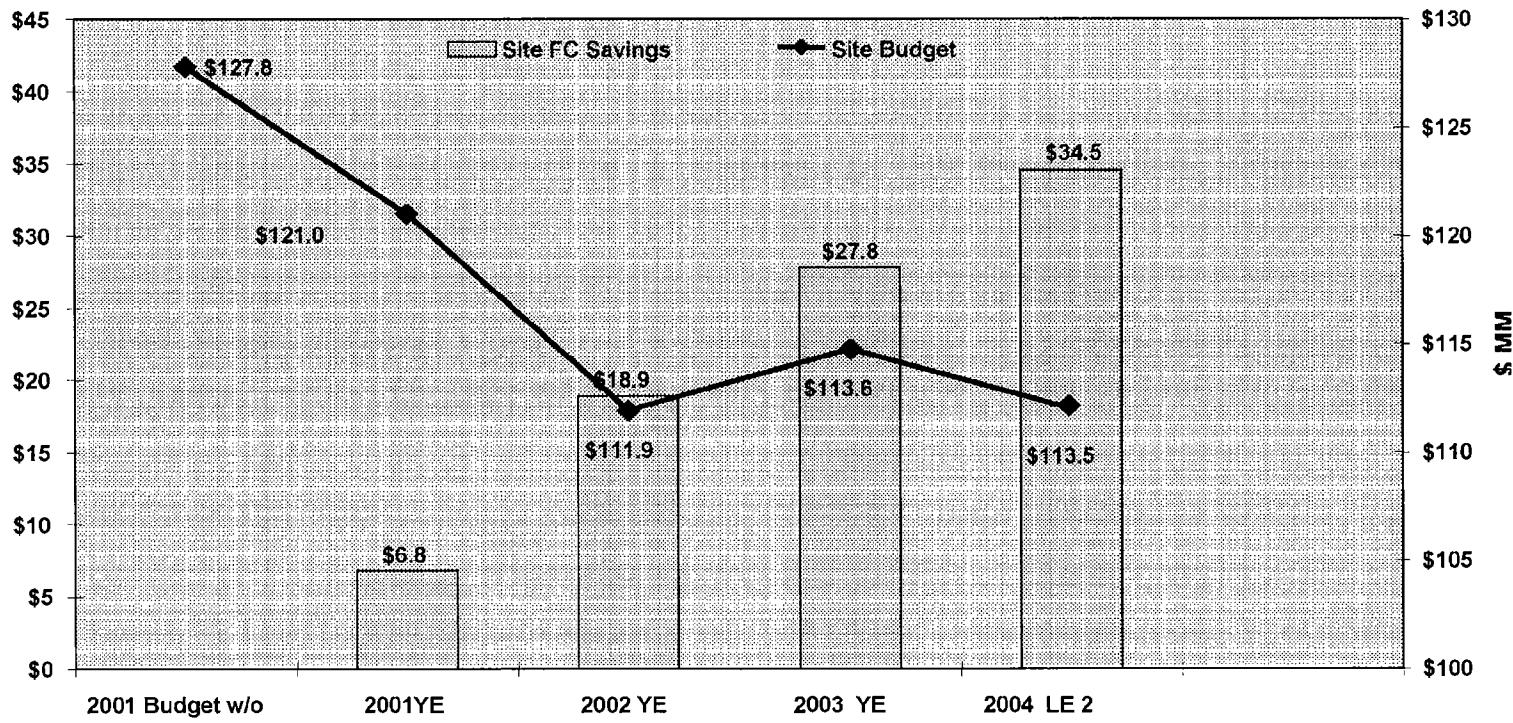
- Project Discovery I - \$34.5M in 4 years
- Project Discovery II – just underway
- Head count reductions – 33% in 2 years
- Selling waste acid – project/contract in place
- ~60% of cost reductions offset due to rising energy and benefit costs
- Many additional projects



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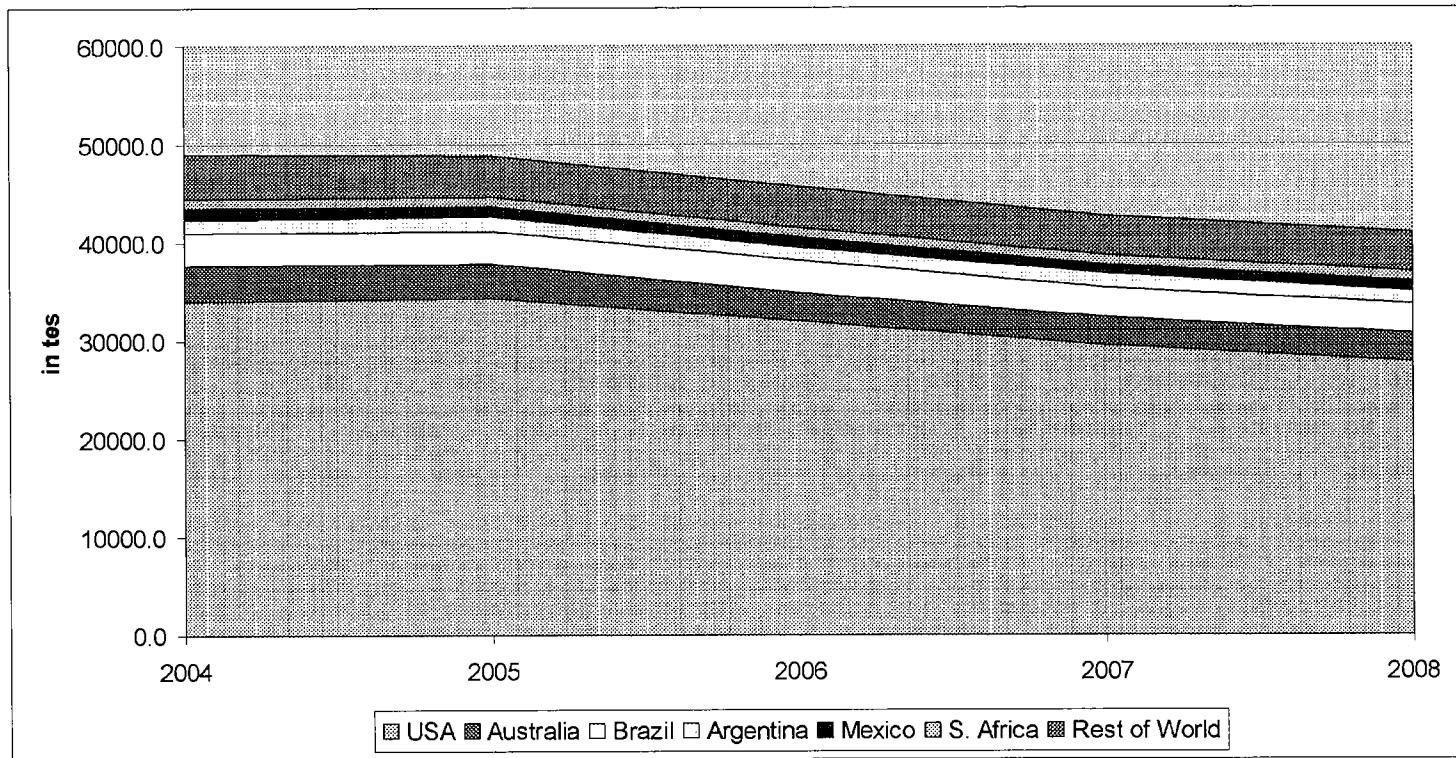
St. Gabriel Project Discovery Savings



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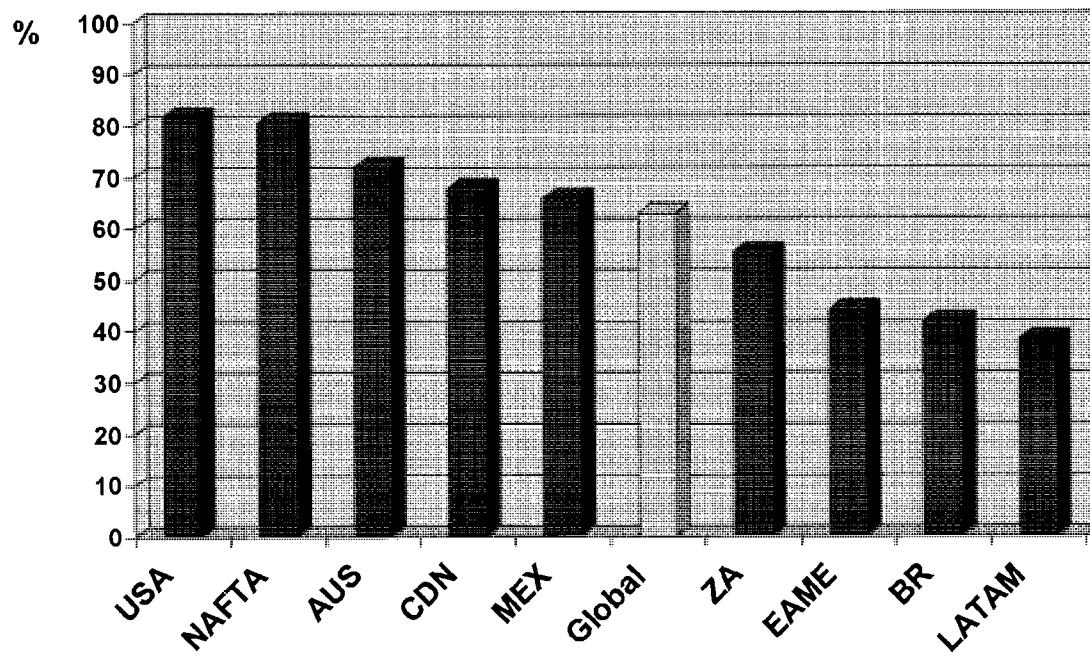
Global Syngenta Triazine Volumes by Country



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Syngenta Atrazine Molecular Share (2003)



Note: Data for USA from Doanes Report 2003
Data for other countries/Regions from Sympact 2003



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Global Atrazine Price Overview

(\$US/KG Atrazine tech or formulated)

Country		Agan	Oxon	China	Atamor	DOW	SYT
USA	ATR-tech	2.84	2.82	-	2.88	3.23	3.04-3.61
	ATR-formul.	3.85	3.83	-	3.92	-	4.30- 4.40
AUS	ATR-tech	3.01-3.58	3.33-4.21	2.10- 2.40	-	-	3.36-3.80
TH	ATR-formul.	4.40-4.50	4.40-4.70	3.80	-	-	4.85
ARG	ATR-formul.	-	-	3.80 - 4.00	4.00	4.40	4.74-4.94
BR		5.30	4.62	-	-	-	4.98-5.40
South Africa	ATR-tech			2.10			3.35-3.51
	ATR-formul.			3.53			4.51-4.72
Global Ranges	ATR-tech	2.84-3.58	2.82-4.21	2.10 -2.40	2.88	3.23	3.04-3.80
	ATR-formul.	3.85-5.30	3.83-4.70	3.80-4.00	3.92-4.00	4.40	4.30-5.40



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Triazine SC Redesign Charter

Objectives	Deliverables	The Team
<ul style="list-style-type: none"> To identify scenarios to deliver major, accelerated step change improvements in the performance of the Triazine supply chain (especially in terms of profit & COGs) to meet short- and long-term business goals. In order to regain competitive edge, the target is to reduce Triazine supply chain COGs by 20%+ to maintain a fully absorbed gross margin of 27% (based on current Sympact volumes) by 2006. To reduce the TPC of atrazine bulk bag (key benchmark product) by 20% to \$0.94/lb as compared to the 2004 standard of \$1.14/lb at reduced volume of 30,000 tonnes of total triazine production Identify, understand and action any implications on the overall supply network and other supply chains resulting from the triazine redesign activities Ensure key mesotrione and S-MOC mixtures remain competitive and profitable by reducing triazine input costs to these mixtures, To identify, get regional buy in and senior manager approval (GSLT, GSOP, GMAST, CP management) to implementation plans and costs for the preferred scenario Determine sustainability of the triazine business as a profitable stand-alone business – what are the critical determinants for triazine to be stand-alone? 	<ul style="list-style-type: none"> A ranking and risk analysis of the well defined scenarios based on economic and supply chain parameters relevant to the defined goals. A well defined stock management concept for the preferred scenario Opportunities for optimizing the supplier base are identified Detailed resourced implementation plan for the preferred scenario Communication and approval of the process and results to the appropriate levels within the Syngenta organization Agreed To Be SC map for 2006 Updated GPSP to reflect agreed and accepted strategies and preferred option. 	<ul style="list-style-type: none"> Team Facilitator - Paul Lidbetter GPSCM and Team Lead – Alan Camp Manufacturing – Rush Ducote/ Bob Slaven Product Manager – Josef Amrein NAFTA Representative – Frank Knight Program Manager – Steve Fulton Finance – Bob Wren and Phoebe Broussard Purchasing – Gayle Taylordean T&P – Larry Gasper T&P – Art Bayer SCT (for validation and implementation planning phase) Financial and tax modeling

Overall Objective: Maximize return to shareholders

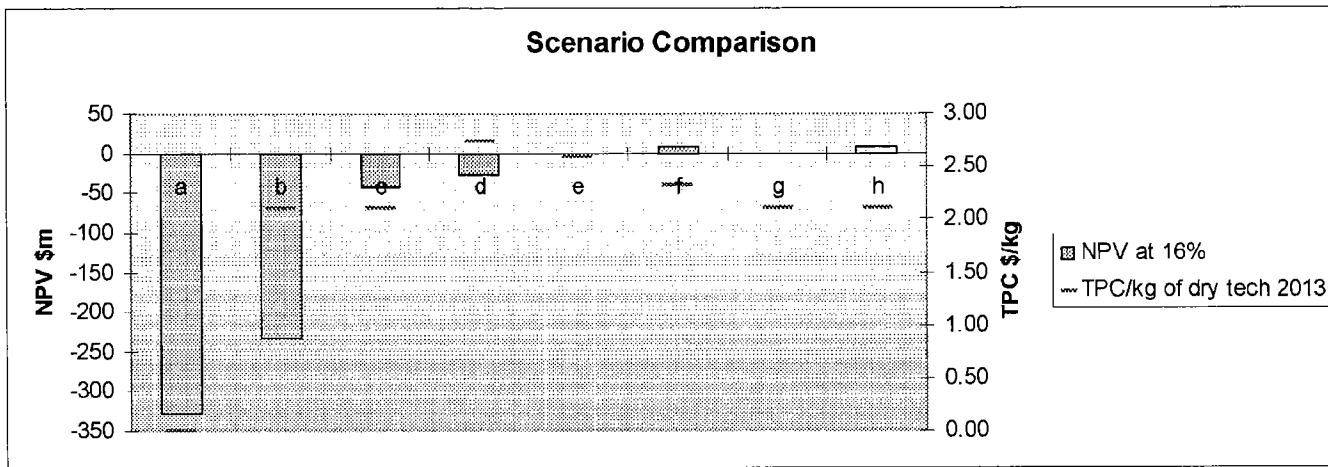


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Scenario Comparisons

Scenario	TPC/kg of dry tech 2013	NPV at 16%	Scenario Description
a	0	-328	Exit all triazines, including in mixtures
b	\$2.10	-232	Exit straight & tech atrazine, keep mixtures, source tech from China
c	\$2.10	-42	Exit tech, keep straight & mixtures, source tech from China
d	\$2.74	-26	Exit powders, switch tech to wet cake (50%)
e	\$2.58	0	Base case, Sympact to 2008, then for Nafta -5% pa volume, stable prices
f	\$2.32	8	Volume stabilization, sourced from St. Gobain, slows decline in volumes
g	\$2.10	0	Base case sales, exit TRZ production in STG & source from China
h	\$2.10	8	Volume stabilization, sourced from China = f+g



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SYN01146571

Scenario Key Assumptions

<p><u>Base Case</u></p> <ul style="list-style-type: none">•Sympact variable and fixed cost assumptions - \$11.9M reduction in fixed cost and \$9.3M variable cost reduction 2005 - 2008•33% volume decline 2004 to 2013 (5% per annum 2008 to 2013)•Stable pricing after 2008	<p><u>Volume Stabilization</u></p> <ul style="list-style-type: none">•Aggressive price reduction of atrazine tech in US ~13%•Aggressive price reduction of tech and key formulations in other key markets to fight generics•Excess capacity would drop as generics drop out allowing price increase after market share gain	<p><u>Radical Outsourcing</u></p> <ul style="list-style-type: none">•Same volume assumptions as base case•Purchase all technical requirements from Chinese source•Continue to sell technical ai, Straight formulations and key mixtures
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SYN01146572

Basis for Recommendations

- The base case is not an effective option...we are vulnerable to all our competitors.
- If we do not protect the triazine business now, we will not have a business left.
- The volume stabilization strategy provides the most benefit to Syngenta – based on NPV calculations, identified risks and perceived benefits. However, the Chinese outsourcing option provides the best opportunity to meet the COGS and profitability targets.
- Volume strategy provides best opportunity for sustainable business with respect to mixtures and stand-alone business.
- Volume strategy is acceptable until technical ai sales become unprofitable at which time the Chinese sourcing option becomes the best option



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SYN01146573

Primary Recommendations

- Implement the volume stabilization strategy with St. Gabriel as the supply source.
- Maintain profitable sales in countries where we have strong market position, i.e. US, Mexico, Brazil, Australia, Argentina, and South Africa – maintain or grow market share in these areas.
- Implement incremental sales strategy (variable cost plus) in countries where additional volumes may be realized by aggressive marketing tactics, i.e. fight generics in gateway countries
- Reduce global production capacity through supply negotiations with other key triazine suppliers, i.e. supply at incremental cost plus in order to secure volumes.
- Implement margin-enhancing product offers in US, i.e. supply basemix and/or wetcake to key customers.



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SYN01146574

Secondary Recommendations

- Commission detailed engineering evaluation of current and future Chinese options with results by Q2 2005 (initial results June 2004).
- Continue to search for opportunities to sell excess capacity through intermediate sales of HCN and/or cyanuric chloride to third parties.
- Continue to search for opportunities for lower cost raw materials, i.e. amines.



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SYN01146575

Benefits Volume Stabilization Scenario

Qualitative Benefits

- Assured supply for mixtures at reasonable price
- Assured Quality of inputs
- Continued stewardship of atrazine to ease regulatory acceptance
- Continue triazines as a leverage for total portfolio offer - helps complete our corn weed control offer
- Capitalizes on Syngenta's dominant manufacturing capability to reign-in competitors
- Flexible – if financials become too negative then should be able to switch to outside source at that point

Quantitative Benefits

- If competitor volumes go up their costs likely to go down along with prices and Syngenta profits will be even further eroded
- Fewer competitors may result in improved cost position in the longer term
- Increased Cash Flow versus Purchase from Competitors



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SYN01146576

Success Factors to Achieve Volume Stabilization (Grow Market Share and Maintain Volumes)

- Market growth in US through tech sales incentives, data comp, and programs
- Aggressive pricing in secondary markets, i.e. sell at incremental costs where significant generic threats
- Stay the course when we commit to the strategy (initial drop in GP)
- Need to manage the portfolio pricing between tech, atrazine brand, and mixtures
- Capitalize on IP – AAtrex tank mix with Callisto per patent
- SWEAT THE ASSETS
- Supply ai to generic competitors to reduce global capacity
- Custom formulate at St. Gabriel for other companies
- Optimize product portfolio, sell wet cake or base mix
- Use wet cake as feed for s-triazine production
- Formulation development – e.g. extruded granules vs. pan granules
- Alternate raw material sources, e.g. amines and chlorine
- Sell intermediates, e.g. HCN and CC
- Alternate packaging schemes



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SYN01146577

Risks to Volume Stabilization Strategy

- We take value out of the market without gaining volume
- We are unsure how competitors will react
- We further de-value the brands
- We may create more focus on post-emergent market (cheaper atrazine and glyphosate)
- We are unsure what Chinese competitors are doing
- Our variable costs continue to increase (eg, natural gas and amines) and we are unable to pass this on to the market



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SYN01146578

Risks of Outsourcing from China

- Cost
 - Current best delivered cost is ~\$2.37/kg
 - Team estimate of \$2.10/kg delivered is optimistic and carries un-validated assumptions
 - Chinese prices seem to have bottomed – driven mostly by variable cost
- Lead time – 30+ day delivery to US
- Inventory – must carry more inventory for flexibility
- Partner – who to partner with; huge project
- Project – three year lead time
- Where, when and how?



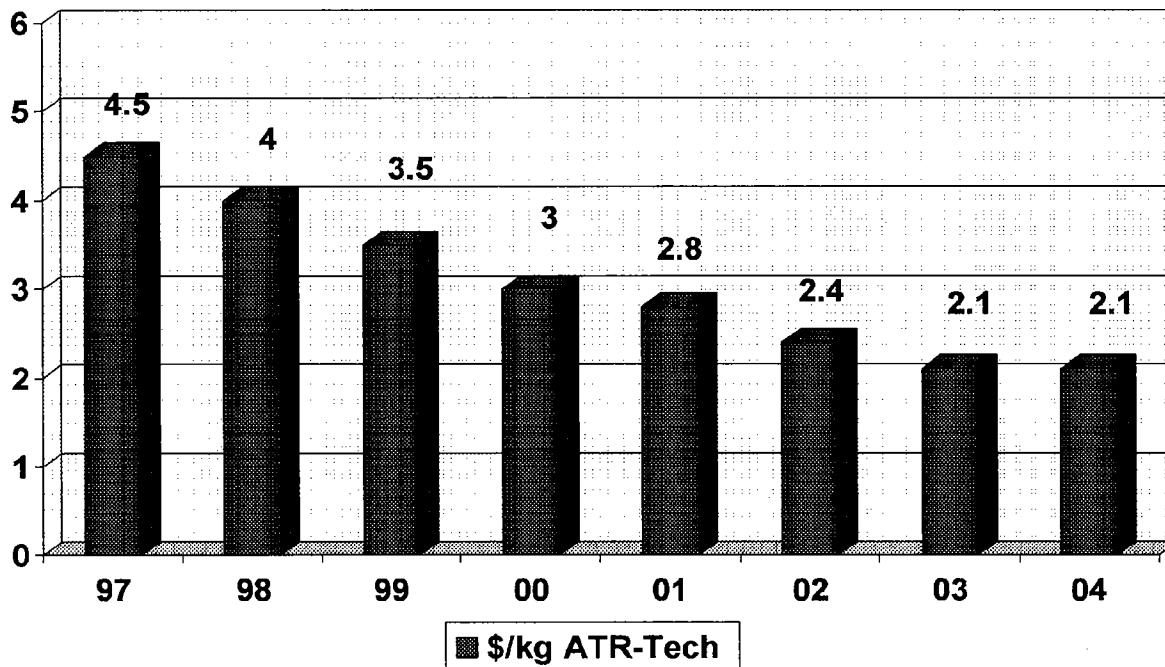
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SYN01146579

China: ATRAZINE EXPORT PRICES

\$/kg Atrazine (FOB)

US\$



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SYN01146580

Risk Mitigation

- Competition monitoring
 - Follow re-registration activities in US and who stays in the market through data compensation
- Trial markets
 - Atrazine in S. Africa
 - Atrazine in minor-use countries (<1000 t es pa)
 - Simazine in US – Syngenta has shrinking market share in stable/growing market
- Understanding outsourcing more
 - Start 6 month in-depth study in China on availability and pricing of key raw materials, capital cost requirements, and possible partners



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SYN01146581

Implementation Timeline (1)

- June/July 04 - Stakeholder Management
- July 04 – Management Feedback
- July 04 – Preliminary Chinese Information
- August 04 – Steering Team and GMAST Presentation
- August 04 – Input to Product Line Teams and corn Herbicide Team
- August 04 – Input to NAFTA Marketing
- Sept 04 – Present to CP Management Team and receive approval for implementation



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SYN01146582

Implementation Timeline (2)

- Sept 04 – Communication of final recommendations to key stakeholders
- Sept 04 – Proposals for Sympact 2005 process
- Oct 04 – Start Chinese Feasibility Project
- Oct 04 – Present to CST
- Q4 04 – Develop Global Triazine Marketing plan
- Q4 04 – Test wet cake input for s-triazine production
- Q4 04 – Agree NAFTA to test with simazine for 2005



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SYN01146583

Implementation Timeline (3)

- Q1 05 – Include in initial Sympact plans
- Q1 05 – initial negotiations with Dow, AGAN, and SIPCAM
- April 05 – Final report on Chinese feasibility project
- Q3 05 – implement in Sympact planning
- Q3 05 – test atrazine pricing in S. Africa
- Q1 06 – implement globally



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Summary

- Implement volume stabilization strategy – grow/maintain market share in declining market
- Concentrate initially on smaller markets with aggressive pricing, i.e. incremental cost strategy (variable cost plus)
- Commission Chinese feasibility study to determine lower cost opportunities
- SCT updates the NPV and COGS model as situation warrants to keep accurate and up to date



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Supporting Slides

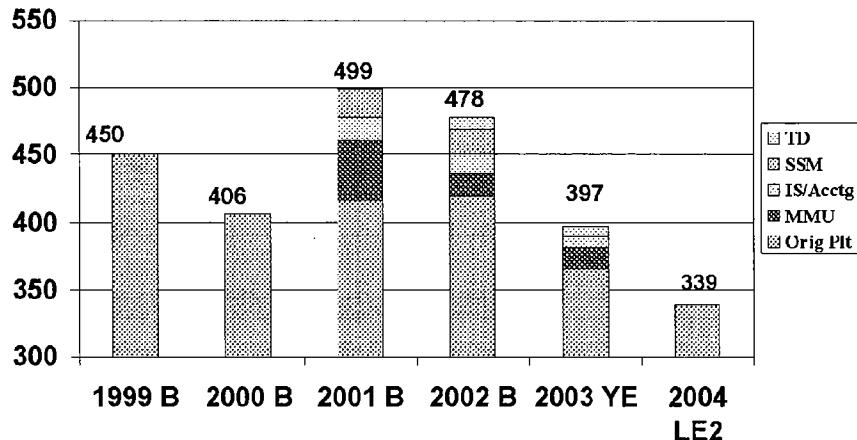
Triazine SC Redesign Project
July 2004

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SYN01146586

31

St. Gabriel Headcount

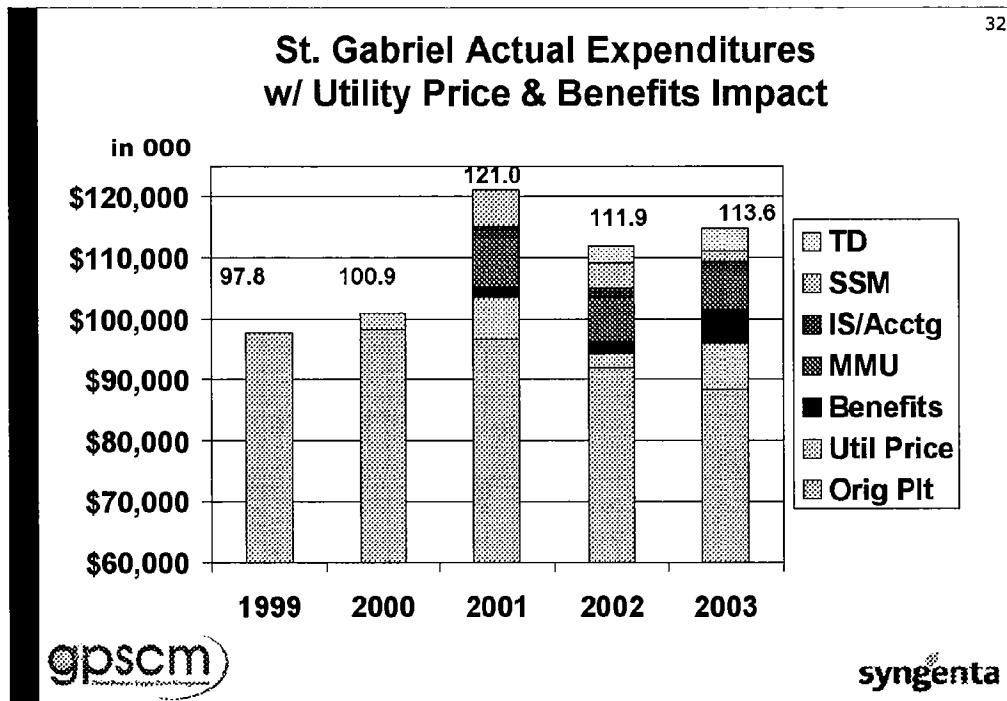


gpSCM

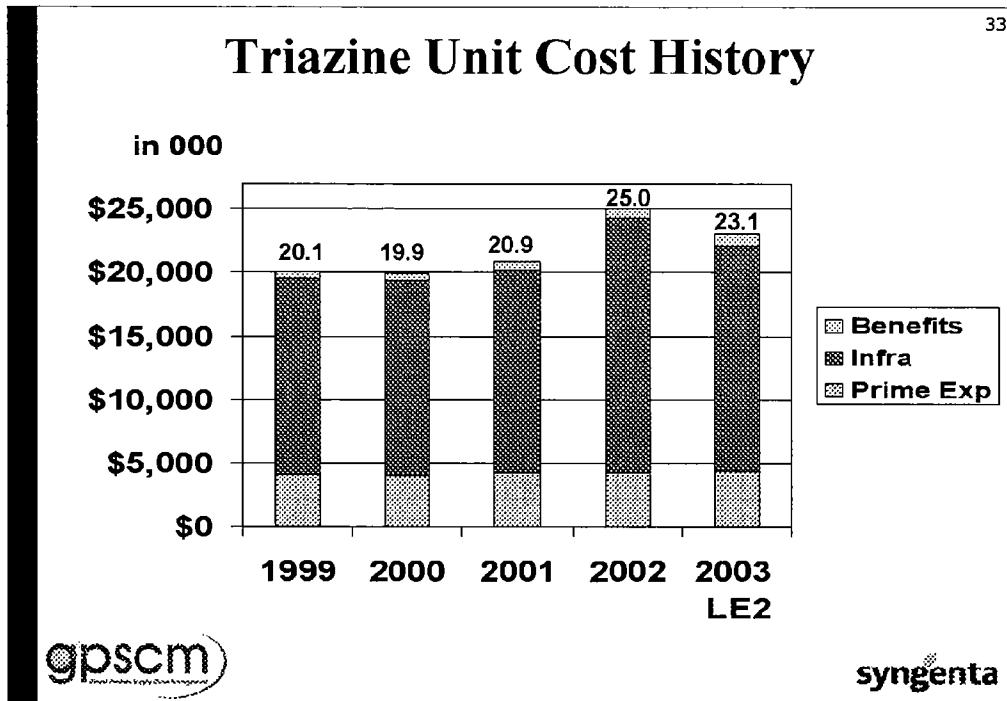
syngenta

1999 Project Focus - significant personnel reduction in 2000
2003 Original plant @375

31



Does not include toll fees & IS allocations



In Progress

TBIT 2004 Planned Savings

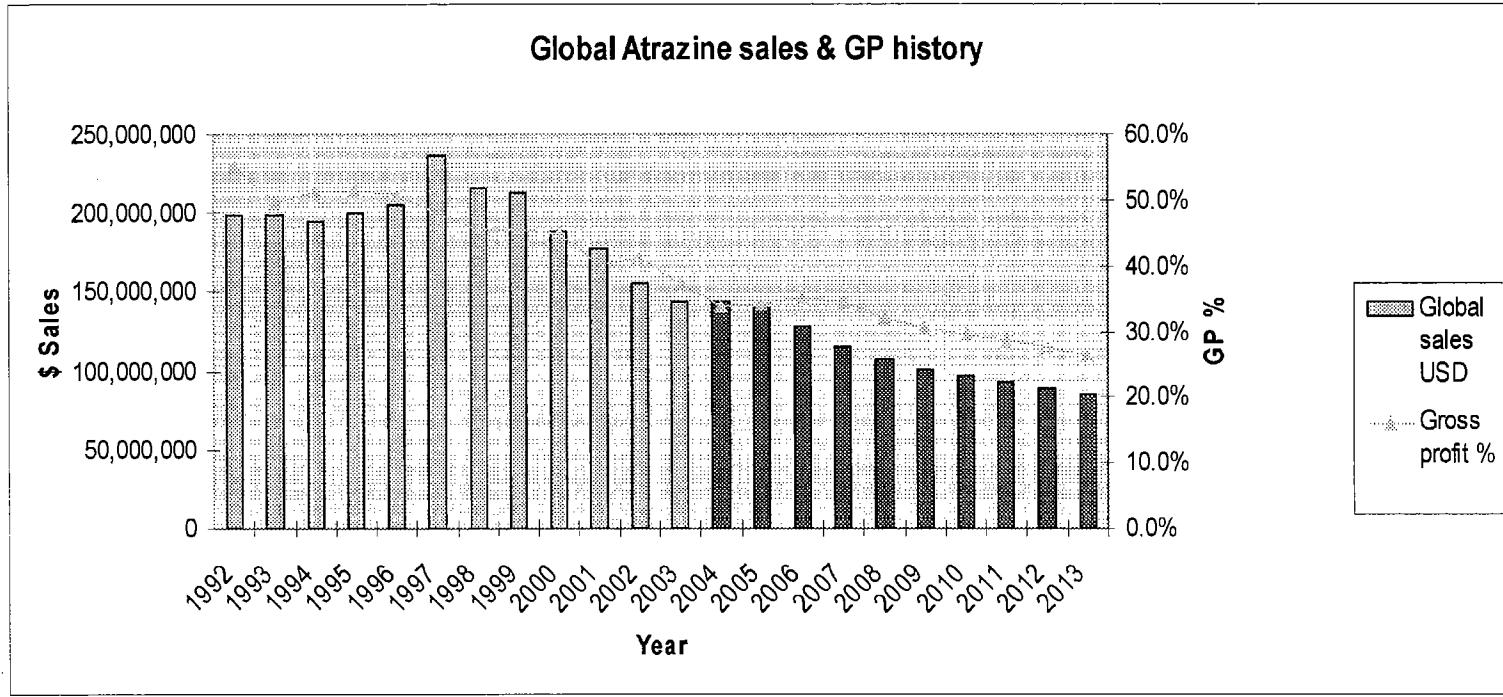
Improved manning efficiency	X	400
Elliott management (Active TAR)	X	200
Eliminate the reactor rupture disc relief valve		100
Review/Improve refrigeration use	30%	450
Improve Atrazine yield 0.1%. Savings in raw material and waste treatment cost.		70
and energy savings at Dichloro pumps		90
Look at rework costs and causes		50
formulate and package Australia 600 SC requirements	X	300
Improved stripper efficiency TRZ	X	250
Cheaper pallets	X	100
Manage flexible manpower resources more efficiently. Model requirements, tasks, scheduling etc. Determine needs for improved equipment. Need strategy for packaging at St. Gabriel.	X	450
Package Dupont material	X	25
Optimize boiler operations eliminate vent from utilities	X	250
Total		3410
X = implemented in 2003		
budgeted ex STG		



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Atrazine Sales History and Forward View

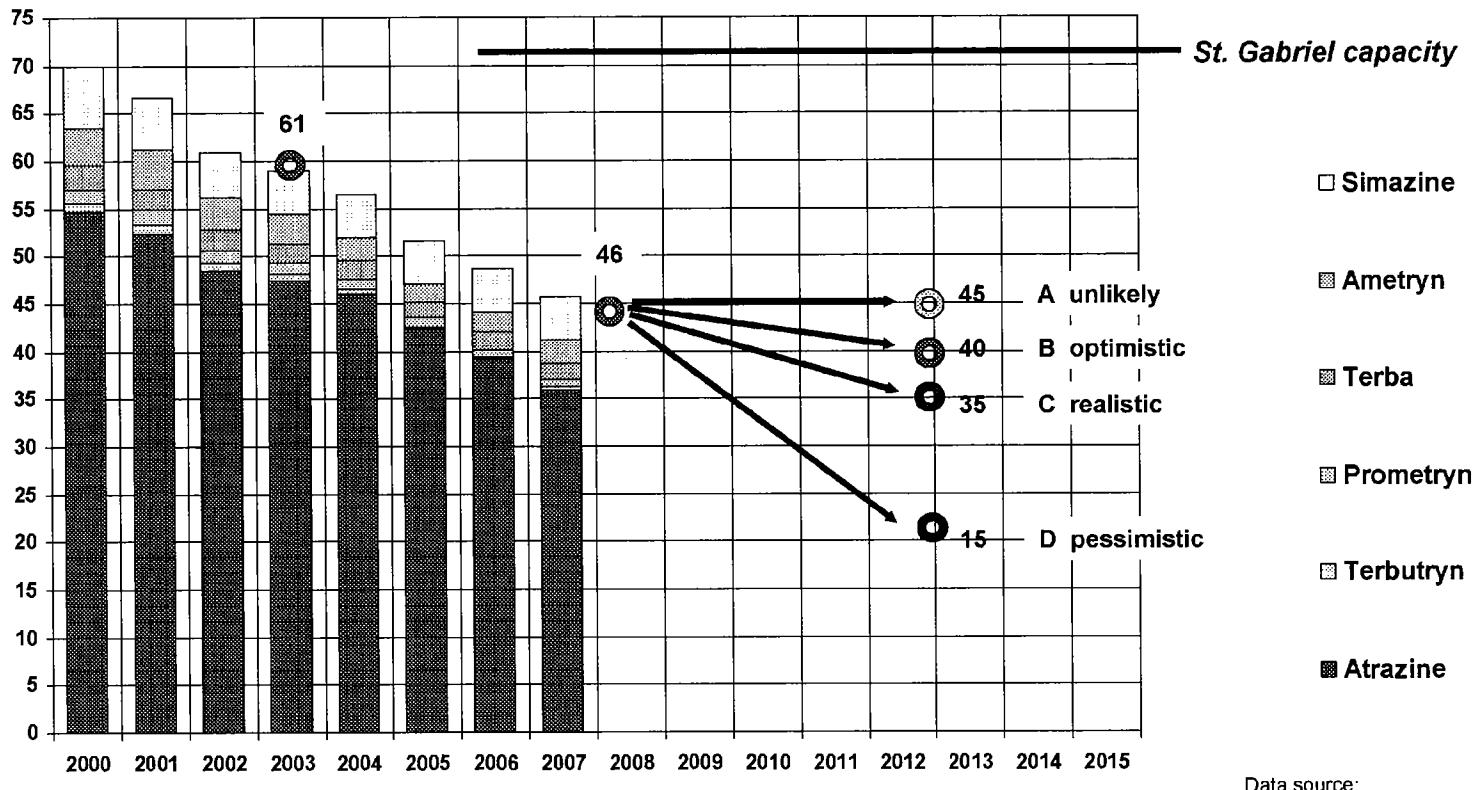


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SYN01146591

Triazine Volume 10 yrs outlook

Volume of a.i. in 1000 tons



Data source:
Sympact 2002 final cut

syngenta

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SYN01146592

St. Gabriel Triazine Cost Map (2004)

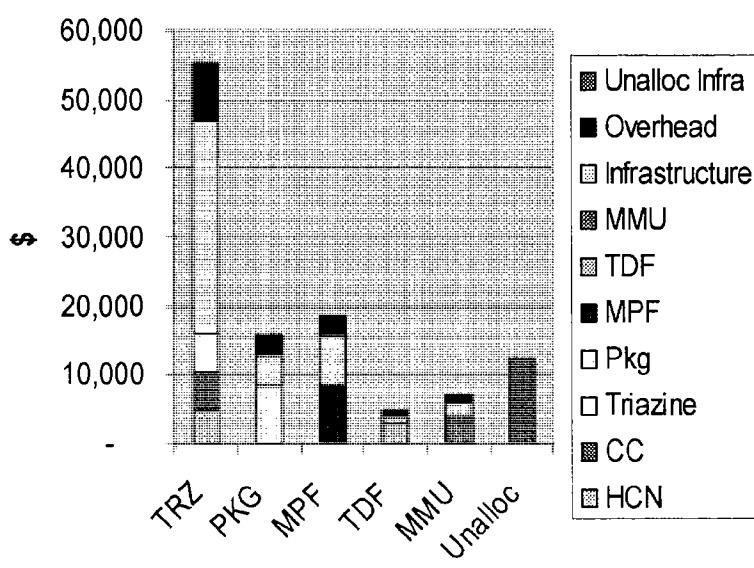


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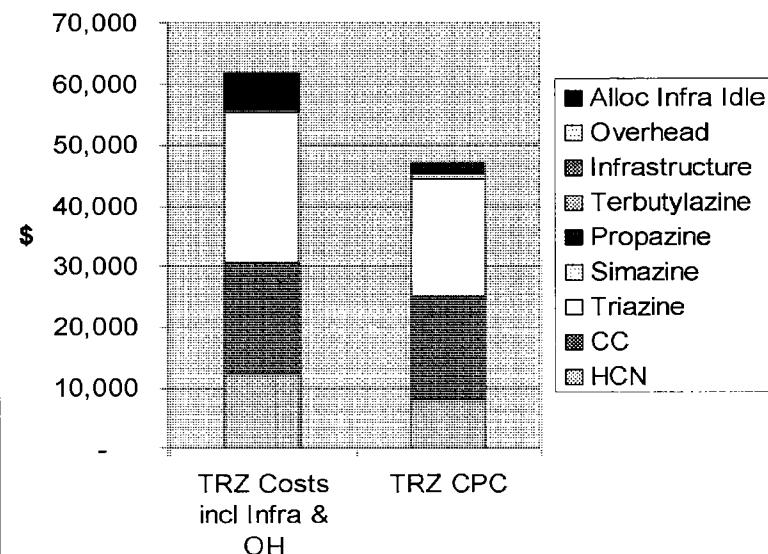
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St. Gabriel Triazine Cost Allocation

2004 Direct, Infra & OH Costs by Unit



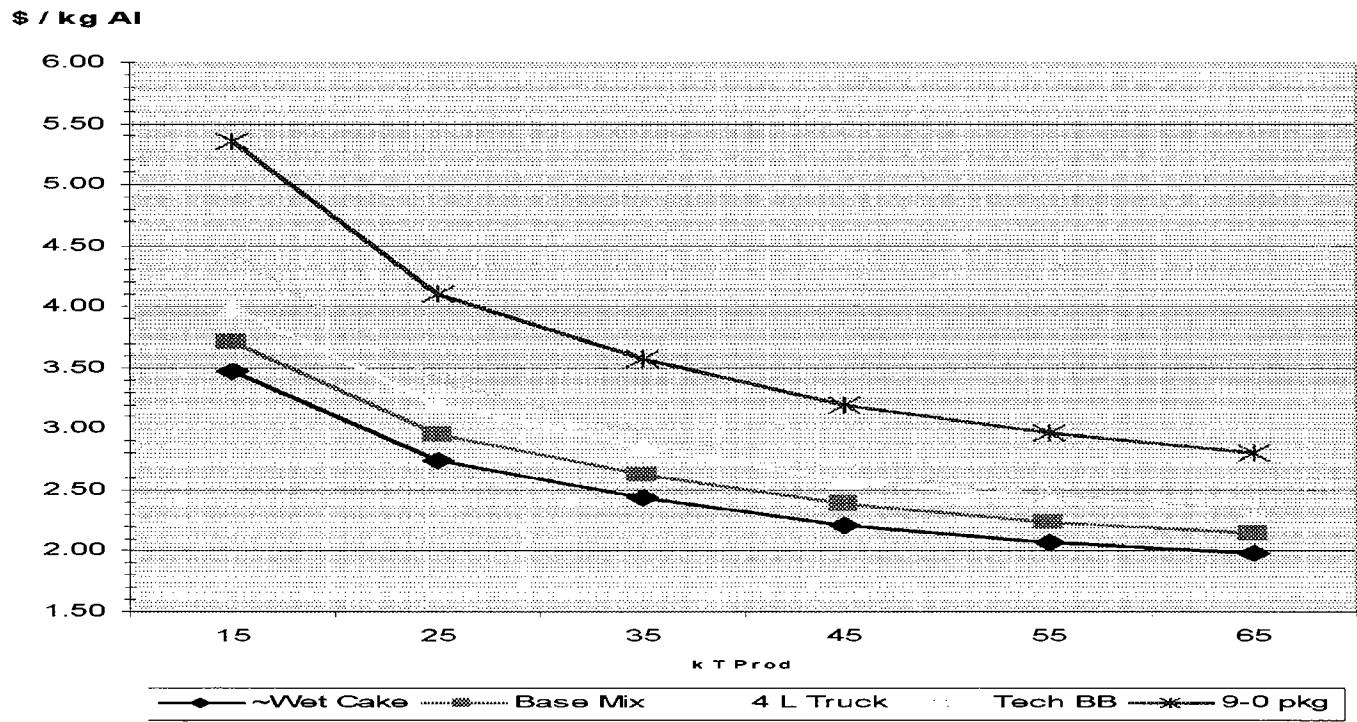
Triazine Costs & Capitalized Period Costs



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St. Gabriel Cost vs. Volume



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Scenarios considered (1)

February-04 Original Options	Radical Outsourcing - Site Closure	Radical Outsourcing - Retain Formulation	Alternate Raw Materials	Technology Driven Consolidation
Scenario Title	Radical Outsourcing - Site Closure	Radical Outsourcing - Retain Formulation	Alternate Raw Materials	Technology Driven Consolidation
Brief Description	Triazines from alternative source, all other activities resisted either internally or externally	Triazines from alternative source, all other activities resisted either internally or externally	Amines from Low cost Asian source, possibly CC from low cost Asian source	Use St Gab assets and Syngenta supply global expertise to make CTL (and/or demands for Oxon and/or PMG intermediates)
Effect on Triazine At Plants	Closed and knocked down	Closed and knocked down	Retained "as-is" unless CC purchased in which case HCN/CC plants closed and knocked down	Increased activity
Effect on Triazine RM Supply	Contracts terminated	Contracts terminated	Dependent on outcome	Increased activity
Effect on MPF Activities	Closed and knocked down	Probably closed and knocked down	Remain and potentially expanded	None - but may be linked to "Alternate Raw Materials" and Asian sourced amines
Effect on Formulation Activities	Closed and knocked down	Remain and potentially expanded	Remain as-is, potential for growth if TPC is lower?	None
Effect on Industrial Sales	Could stay or go - effect on market if we do not supply?	1) Almost certainly means a supplier in China 2) Could rationalise all US formulation activity to St Gabriel site	Remain as-is, potential for growth if TPC is lower?	Remain as-is, potential for growth if TPC is lower?
Other Features or Possibilities	Almost certainly means a supplier in China			
High Level Risks	Highlighted risks (Travis/Josef) re-supply from China	Highlighted risks (Travis/Josef) re-supply from China	Highlighted risks (Travis/Josef) re-supply from China - but lower exposure	Process development of CTL/PMG processes required to give confidence before a "go" decision
Key Actions	1) Determine likely TPC ex-China (Shanghai Freemen by mid Feb) 2) Determine if we wish to open the debate with a Chinese supplier. 3) debate with Chinese supplier, 4) Determine non-manufacturing related costs 5) Consider where we would formulate 6) Consider	As for "Radical Outsourcing - Site Closure" + 7) evaluate consolidation of all NAFTA formulation into St Gab	8) Evaluate sourcing Amines and CC from Asia - paper exercise by Shanghai Freemen by mid Feb. 9) Determine if we wish to open debate with Chinese supplier. 10) start debate with Chinese suppliers	11) Process development of CTL and PMG processes
				12) Syngenta business view on working with Agan/Oxon. 13) Discussions with Agan/Oxon



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Scenarios Considered (2)

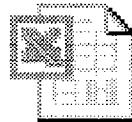
February-04 Original Options	Outsource or Sell Our Capabilities	SC Business Driven Consolidation	Grow the Business Like a Generic	Sell the Triazines Business - Others Buy Back Atrazine as a 3rd Party/Al
Scenario Title				
Brief Description	Sell Intermediates made at St Gab or invite other manufacturers to invest at St Gab and use our utilities and intermediates	Combination of Syngenta buy local raw material suppliers and/or MBO of St Gab	Accept lower margins on this "generic" product to grow volumes and fill the asset	Sell the business, including assets and regulatory packages to Agan or Oxon, they close their asset
Effect on Triazine AI Plants	Possibly increased activity in intermediates	Probably no change	Increased activity	Syngenta exit AI Industrial sales and focus on mixtures
Effect on Triazine RM Supply	None - but may be linked to "Alternate Raw Materials" and Asian sourced amines	New ownership and operation	Increased activity	Increased activity
Effect on MPF Activities	None	None	None	May close and resite, or may operate as a toll/supply
Effect on Formulation Activities	Remain and potentially expanded	Remain and potentially expanded	Remain and potentially expanded	May close and resite, or may operate as a toll/supply
Effect on Industrial Sales	Remains as-is, potential for growth if TPC is lower?	Remains as-is, potential for growth if TPC is lower?	Remains as-is, potential for growth if TPC is lower?	AI industrial sales transfers to new owners
Other Features or Possibilities	None	None	None	None
High Level Risks	What is the Syngenta view on establishing a Global Supply subsidiary to sell intermediates, services and expertise?	Financial stability of NewCo	What is the Syngenta view on lower quality business?	What is Syngenta view on relations with Agan/Oxon?
Key Actions	14) Get a view from the steering team on whether this should be progressed as a Global activity	15) Get a view from the steering team on whether this should be progressed	16) Understand the potential for volume growth at lower sales prices	17) Understand from steering team and Business what the view on such a proposal



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Detailed NPV and COGS



Microsoft Excel
Worksheet



CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN ATRAZINE LITIGATION

SYN01146598

Scenario/Risk Matrix

	Volume Stabilization	Radical Outsource	Liquids Only
Must			
GP earned	Not sure	Not sure	Not sure, but less than base
COGs and GP rate	No	Yes	No
Positive NPV	OK	No	No
Risks managed	Not sure	Not sure	OK
Support Corn Herb Business	OK	OK	No, 9-0 markets to liquids
Support Mixtures	OK	OK, re-registration	OK
Quality	OK	OK, not sure wrt mixtures	OK
HSE	OK	OK, not sure re PCBs	OK
Want			
Longer term upside/downside volume response	OK for upsides No for downsides But COGs unsure	OK for COGS Not sure for upside volumes	OK, will have limited offer No, for longer-term downside
Responsive to short-term demand	OK	Not sure	OK
Inventory	OK	Higher inventory for longer supply chain	OK
No -ve impact on other SCs	OK	-ve impact on other StG and mixture SCs	-ve impact on other supply chains large idle capacity
Maintain customer base	OK	OK for mixtures Not sure for tech	No
No -ve impact on business arrangements	Not sure	Not sure	No



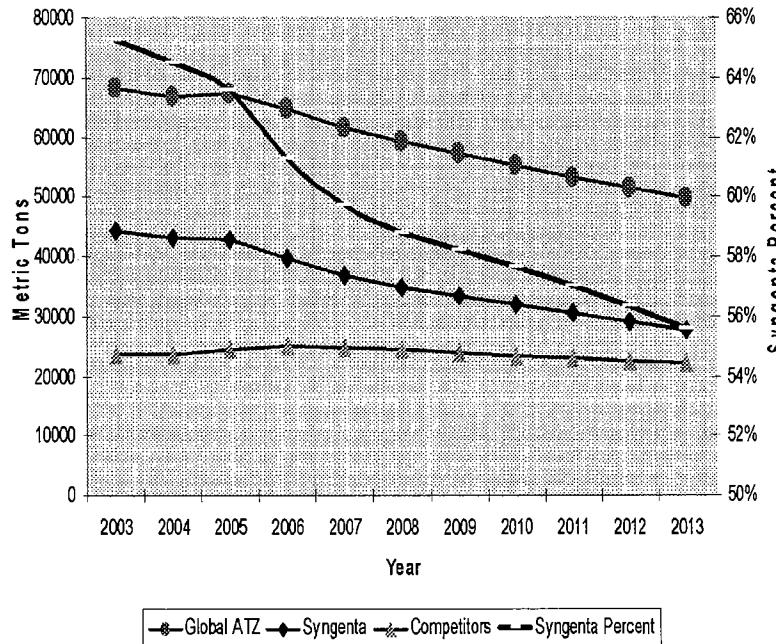
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SYN01146599

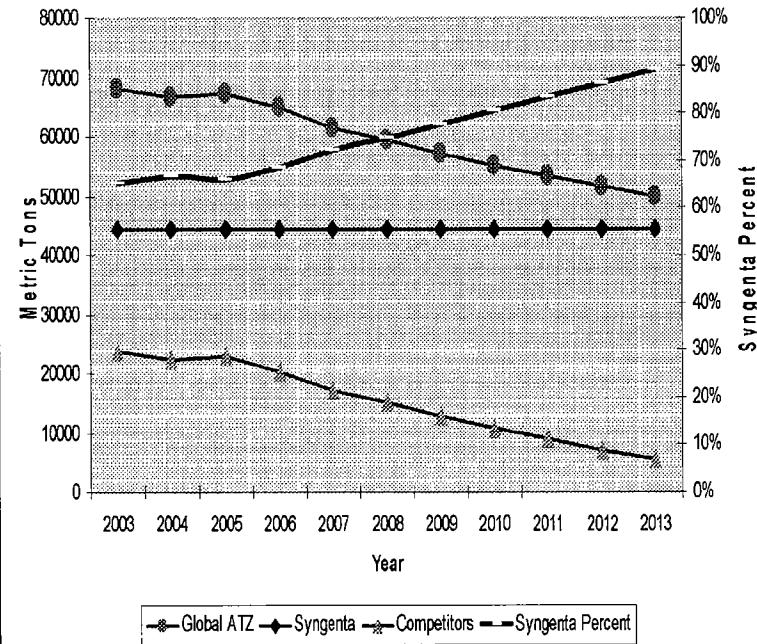
Comparison of Scenarios

Market Share and Volume

Base Case - Projected Global Atrazine AI Volumes



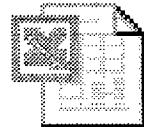
Volume Stabilization - Projected Global Atrazine AI Volumes



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SYN01146600

St. Gabriel Incremental Cost Analysis



Microsoft Excel Worksheet



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SYN01146601

Volume Stabilization Scenario Drivers

Facts about ATZ Business

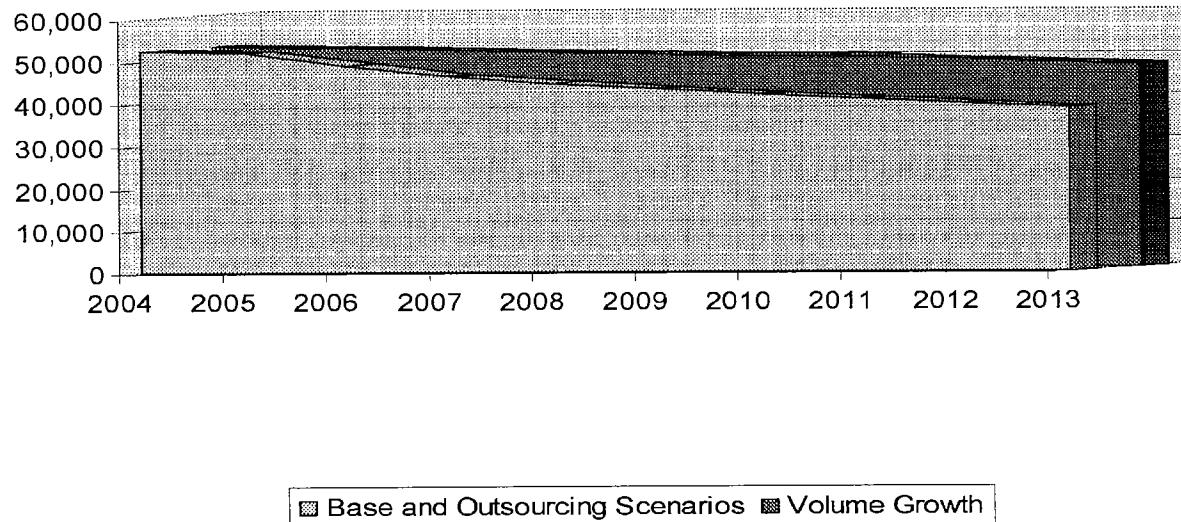
- Syngenta has the High Market Share, and the Dominant Manufacturing Capability in the atrazine business.
- Syngenta is the highest volume producer of atrazine for third party customers, and distributors in NAFTA.
- Overall atrazine volumes are declining in the markets Syngenta traditionally sells into.
- Syngenta is the largest single producer of CC in the world. The key to atrazine production.
- Syngenta is potentially the largest user of Ethyl Amines in the world. Over capacity of isopropyl amine could increase bargaining power.



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SYN01146602

Scenario Volume Assumptions



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SYN01146603

Proposed Chinese Outsourcing

Atrazine COGS

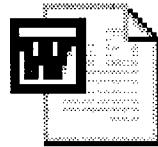
Element	Calculated	Maximum	Minimum
Variable	1.1	1.2	1.0
Capital	0.21	0.26	0.16
Fixed	0.21	0.25	0.20
Freight/Duty	0.27	0.27	0.27
Tech Fee	0.02	0.03	0.01
Profit	0.05	0.05	0.05
Total	1.86	2.06	1.69



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SYN01146604

Optional Packaging – Tech AI



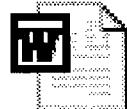
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Document



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SYN01146605

Chinese Sourcing Assumptions and Discussion



Microsoft Word
Document



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Document



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SYN01146606

Additional Opportunities

30 Million Lbs/year Atrazine technical equivalent

<u>Option</u>	<u>Potential Savings</u>	<u>Capital Requirements</u>	<u>Potential Benefits</u>	<u>Challenges</u>
Wet Cake Sales	~ \$3.0 million	\$4 to \$7 million Centrifuges (1-2) Initial tote purchase	Reduced drying costs Bag savings of \$0.02/lb	Centrifuge dewatering cake Extra freight \$ Tote handling Tote returns Wet milling by Customer
Bulk Tech Sales	\$1.65 million	Small (bulk loading)	Avoid bag loading Bag savings of \$0.02/lb	Bulk car lease Customer unload
Universal base Mix sales	\$3.4 million	\$4 to \$6 million Dynomills (2-3) Storage tanks	Lower cost w/o drying Customer convenience Bag savings of \$0.02/lb	Inventory mgmt Extra freight



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SYN01146607